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RUEHKL/AMEMBASSY KUALA LUMPUR 0331  
RUEHLO/AMEMBASSY LONDON 4049  
RUEHBY/AMEMBASSY CANBERRA 0972  
RUEHWL/AMEMBASSY WELLINGTON 0017  
RUEHOT/AMEMBASSY OTTAWA 1205  
RUEHRH/AMEMBASSY RIYADH 0281  
RUEHKU/AMEMBASSY KUWAIT 0468  
RUEHAD/AMEMBASSY ABU DHABI 0443  
RUEHKP/AMCONSUL KARACHI 2242  
RUEHCG/AMCONSUL CHENNAI 8017  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEHC/DEPT OF LABOR WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION

UNCLAS SECTION 01 OF 03 COLOMBO 001352

SIPDIS

SENSITIVE

SIPDIS

STATE PASS USTR FOR ADINA ADLER  
COMMERCE FOR JONATHAN STONE  
TREASURY FOR LESLIE HULL  
MCC FOR S. GROFF, D. TETER, D. NASSIRY AND E. BURKE

E.O 12958: N/A

TAGS: [ECON](#) [ETRD](#) [ELAB](#) [KMCA](#) [CE](#)

SUBJECT: SRI LANKA: CONFLICT CONTRIBUTES TO BRAIN DRAIN

REF: A. COLOMBO 625 B. COLOMBO 861

11. (U) SUMMARY: Professionals and business people are steadily migrating out of Sri Lanka in pursuit of better living conditions and a more stable business environment. Many are Tamils and Muslims fleeing the conflict and persistent harassment. The "brain drain" is depleting a local talent pool already limited by insufficient university training positions in high-demand fields like software engineering, finance, and nursing. The loss of human capital will impede Sri Lanka's economic development goals and erode its regional and global competitiveness, especially as the country seeks to become a regional information technology and outsourcing hub. End Summary.

12. (U) Traditionally, unskilled migrant workers have been one of Sri Lanka's most valuable exports, as their remittances provide the country's second largest source of foreign exchange after garment exports (ref A). In recent years, growing numbers of Sri Lankan professionals have also been leaving the country seeking better career prospects, higher pay, greater physical security, improved prospects for their families. Armed with proficient English, academic qualifications and information technology (IT) skills, these well-educated Sri Lankans are competitive in the global market for talent. Unlike most unskilled laborers, however, many professionals are permanently settling abroad and do not send significant remittances back to Sri Lanka. Further, the shrinking talent pool is a serious impediment to the growth plans of some of Sri Lanka's most dynamic firms. Though local business leaders do not believe the current migration trend has become a critical problem, they are pushing for the government and training institutions to seriously address the issue now.

PROFESSIONAL MIGRATION IS BIG, BUT HARD TO COUNT  
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13. (U) Estimates vary on the number of professionals leaving the country. According to the Sri Lanka Bureau for Foreign Employment (BFE), there are 1.4 million Sri Lankan citizens, or an eighth of the country's labor force, legally working abroad. In 2006, the World Bank estimated that more than one million additional Sri Lankan professionals were permanently established abroad. The latter figure is harder to confirm, as professionals, unlike laborers, do not have to register with the BFE when they move overseas.

14. (U) The Bureau stated that in 2006, 486 engineers, 483 accountants, and 73 nurses departed Sri Lanka for work abroad -- all figures slightly higher than in 2005. These statistics, however, reflect only the number of employment contracts handled by foreign recruitment agencies registered to the BFE, and therefore underestimate the actual number of departing professionals. The primary destination markets for Sri Lankan professionals are the Gulf and the Middle East -- Saudi Arabia, Kuwait and United Arab Emirates; and the English-speaking industrialized countries -- the United States, the United Kingdom, Canada, Australia, and New Zealand. The extent of Sri Lankan professional migration to these countries is illustrated in one sector by figures reported by Sri Lanka's Chartered Institute of Management Accountants (CIMA): In Sri Lanka, there are 1,800 CIMA members and 11,000 CIMA candidates. Abroad, there are 3,900 Sri Lankan CIMA members and candidates, of which 1,465 are in the U.K., 676 in Australia, 277 in Canada, 171 in the United Arab Emirates and 96 in the United States.

CONFLICT FUELING MIGRATION OF TAMIL PROFESSIONALS  
AND BUSINESS PEOPLE

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15. (U) Veteran business leaders in Sri Lanka say that the brain drain is not a new phenomenon, as migration waves have historically correlated with Sri Lanka's separatist conflict, starting in 1983 and picking up most recently since 2005. For Tamil and Muslim professionals especially, the conflict has made daily life difficult and has signaled to many that educational and career prospects for themselves and their families are unreliable. The President of local software company hSenid told Econoff that, of the ten percent of workers who have left the company in the past year, approximately 75 to 80 percent were Tamils.

16. (U) Similarly, the conflict has indirectly caused many Tamil and Muslim traders and other entrepreneurs to depart. Numerous Tamil business owners in the north and the east have fled to India to escape fighting, local persecution, and general insecurity. This trend has spread to Colombo as well. Embassy has heard in recent months from Colombo-based Tamil and Muslim owners of trading, wholesale, and retail businesses that many of their peers are moving to India, Singapore, and Malaysia, in search of greater security and stability. First Tamil, and later, Muslim business people have been the target of criminal abduction-for-ransom rings (ref B). Some Tamil business owners report experiencing official harassment, such as by customs officials who impose extortionate fines in response to minor mistakes in customs paperwork. Malaysia in particular has become an attractive destination for Tamil business relocations, because it offers long term (though not permanent) legal residence status for people who can deposit 300,000 ringgit (about \$88,000).

MID-CAREER PROFESSIONALS: SOME SEEK IMPROVED  
OPPORTUNITIES, OTHERS SECURITY

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17. (U) For large Sri Lankan businesses the brain drain is a problem at both the mid-career and entry level. In a recent local newspaper poll, 60 percent of senior human resources managers interviewed were worried about company-wide talent shortages; 75 percent of the same managers said that attracting and retaining key talent was one of their top three priorities. Company leaders interviewed in local business journal Lanka Monthly Digest stated that "uncertainty" was a major factor causing their mid-level professionals to seek work abroad. They also cited lack of security, lack of educational

prospects for children, and overall political instability as drivers of the brain drain. They added that higher pay and greater upward mobility abroad also act as a draw to those worried about security.

UNIVERSITY GRADS: MISMATCHED DEGREE FIELDS  
AND HIRING NEEDS ADD TO BRAIN DRAIN  
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18. (U) The state university system is also a major contributor to the brain drain. The universities' poor academic quality in many fields and insufficient spaces in hot fields like information technology are inducing prospective students to study abroad. This means that local firms in growing fields like software design and business process have more job slots available than qualified graduates to hire. According to the Sri Lanka Information and Communication Technology Association (SLICTA), the local IT industry has an annual demand for over 7,000 workers, but has only been able to hire 2,000 plus this year. This shortage will impede Sri Lanka from reaching its potential as an IT industry and business-processing outsourcing hub.

19. (U) Outside hot sectors like IT, the problem is reversed: the universities are producing graduates in fields that are not hiring. A local newspaper study reported that Sri Lankan universities

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annually produce over 3,000 science and technology related graduates, but that only 7 percent of these find substantive work in their specialties in Sri Lanka. As a result, many emigrate. The departure of such university grads represents not only a depletion of human capital, but also a loss of state investment, as the country loses the opportunity to gain from its educational investment.

RESPONSES TO THE BRAIN DRAIN  
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110. (U) Reinforcing the evidence that the brain drain is not solely a financial issue, businesses are finding that a higher salary alone is not enough of an incentive to keep professionals in place. The Sri Lanka Information and Communication Technology Association (SLICTA) reported that current retention rates of IT employees are generally between two to three years. HSenid, trying to avoid losing employees entirely, encourages their movement to hSenid offices in other countries. Similarly, HSBC bank's Sri Lanka CEO told Econoff that he finds himself helping his employees transfer to other HSBC offices abroad in the slim hope that they will eventually return to work for HSBC in Sri Lanka.

111. (U) The private sector is also encouraging the government to create incentives to attract educated Sri Lankans overseas back to Sri Lanka. They have urged the government to emulate India's "brain gain" strategy, which includes tax and other financial incentives for those who return. Businesses realize that attracting talent back to Sri Lanka has a great upside in terms of knowledge transfer from returning migrants.

112. (U) COMMENT: Sri Lanka's brain drain is another damaging economic and social consequence of its long ethnic conflict. With skilled professionals and talented students departing, Sri Lanka is losing the human capital it most needs to compete in a globalized, information intensive economy. Simply riding the wake of India's growth in information technology and business process outsourcing could provide enormous growth potential for Sri Lanka, but the brain drain is a serious impediment to that prospect. The government has in recent years worked hard to promote outward migration of unskilled labor and has recently begun to talk of promoting migration of skilled labor as well. While these measures may appear attractive in the short run because of the remittances they yield, the government fails to take account that professional Sri Lankans overseas are contributing to other countries' GDPs, and that only a fraction of their earnings comes back as remittances. For these reasons, the government should start to develop longer term plans for retaining and attracting back educated Sri Lankans who are essential to the country's long term competitiveness.

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